Investing Guide at Deep Blue Group Publications LLC Tokyo: Are You Saving Enough for Retirement?

Unlike Jack Nicholson's character in A Few Good Men, we trust that you can handle the truth. No matter your age, securing a comfortable retirement is a huge concern. Folks want the whole truth about their financial outlook, but straight answers are hard to come by.

Both sides of the mainstream media habitually present opinion-tainted partial facts. Case in point: the unemployment numbers announced earlier this month. One side is cheering because unemployment dropped to a six-year low, while the other side is calling it pure fraud.

I found author and libertarian-about-town Wayne Root's remarks in a recent article for The Blaze particularly telling:

The middle class isn't getting richer, it's getting poorer…

The only people being hired are your grandparents. 230,000 of the new jobs went to those in the 55-to-69-year-old age group. In the prime working age group of 24 to 54 years old, 10,000 jobs were lost…

It means grandma and grandpa are desperate and willing to take grandson's low wage job to survive until Social Security kicks in. The US workforce is now the oldest in history. And if grandpa has to work (out of desperation) until the day he dies, there will never be any decent jobs for the grandkids.

Here's the part Root gets wrong: Baby boomers are not working until Social Security kicks in. They're working well past that point, because they feel they must. Smart boomers know they can't afford to wait until robust interest rates return; they're taking action to protect themselves now, lest their circumstances become truly dire.

You're 65—Now What?

The Employee Benefit Research Institute surveys workers each year concerning their retirement confidence. Despite an uptrend, the latest report shows that 82% of workers feel less than "very confident" about having enough money to retire comfortably.

With that statistic in mind, we looked at three different 40-year retirement scenarios. Note that the numbers and charts in this overview are meant to illustrate several scenarios, not provide individual guidance. Every person's situation differs in terms of taxes, time horizons,

and other parameters, and we encourage you to work with a financial planner to manage your savings.

The data exclude other sources of retirement income you may have, such as Social Security or a pension. All of the amounts, including annuity incomes, are pre-tax.

Scenario 1. Scenario 1: He Who Takes It All Is Not the Winner

- At age 65, you decide to retire with $500,000 in personal savings. You anticipate your expenses will rise approximately 3% annually. Thus, with each subsequent year, you will need to withdraw 3% more than the previous year. You estimate that your savings will grow by 5% annually. You are planning for a 40-year retirement, meaning your savings must last until age 105.

How much money can you withdraw each year, using those assumptions?

Scenario 2. Scenario 2: Spreading Out Risk

- At age 65 you have the same $500,000 in personal savings that you did in Scenario 1; however, you take $100,000 from your account and buy an annuity. Our go-to source for annuity information, Stan The Annuity Man, says that currently, this annuity would pay $527 for the rest of your life. You use the remaining $400,000 as principal for the next 40 years in the same fashion as in the first case: assuming the same 5% rate of return and an annual 3% withdrawal increase.

Scenario 3. Scenario 3: Delayed Gratification

- Instead of retiring at age 65, you work for five extra years and buy a 100,000 annuity at age 70. We will assume you did not add to your savings during that time (though it did earn interest).

Many boomers use extra working years to eliminate any lingering debt, so they can retire 100% debt-free. (However, note that we encourage a different approach: using extra working years to save as much as possible, including maximizing catch-up contributions to your 401(k) or IRA.)

If your nest egg grew at a 5% compound rate, it will total $638,141 when you are age 70. So, excluding the $100,000 spent on an annuity, you have $538,141 to draw from. As with Scenarios 1 and 2, we'll assume the withdrawals last for 40 years here, stretching the retirement period until age 110. Buying the annuity at age 70 instead of age 65 raises your monthly annuity payout to $582 per month.

Now, let's take a closer look at each of these cases.